NOVA SCOTIA FISHERIES AND AQUACULTURE LOAN BOARD

ANNUAL ACCOUNTABILITY REPORT

FISCAL YEAR 2012-2013

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ACCOUNTABILITY STATEMENT

The accountability report of the Nova Scotia Fisheries and Aquaculture Loan Board for the year ending March 31, 2013, is prepared pursuant to the Finance Act and government policies and guidelines. These authorities require the reporting of outcomes against the Nova Scotia Fisheries and Aquaculture Loan Board Business Plan information for the fiscal year 2012-2013. The reporting of the Nova Scotia Fisheries and Aquaculture Loan Board outcomes includes estimates, judgements and opinions by Loan Board management.

The Department of Fisheries and Aquaculture acknowledges that this accountability report is the responsibility of the Nova Scotia Fisheries and Aquaculture Loan Board. The report is, to the best extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in the Nova Scotia Fisheries and Aquaculture Loan Board 2012-2013 Business Plan.

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Sterling Belliveau

Minister, Department of Fisheries and Aquaculture

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Roy Surette

Chairman of the Board

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Derrick Brooks

Chief Executive Officer

MESSAGE FROM THE CHAIRMAN

It is my pleasure to present the 2012-2013 Annual Accountability Report for the Nova Scotia Fisheries and Aquaculture Loan Board. This report reflects the efforts to achieve the goals and priorities outlined in the Loan Board's 2012-2013 Business Plan. I would like to express my appreciation to the staff of the Loan Board for their hard work and commitment to providing excellent service to the aquaculture and fisheries industries, in the best interest of the people of Nova Scotia.

Roy Surette

Chairman of the Board

Derrick Brooks

Chief Executive Officer

OVERVIEW

Since 1936, the Fisheries and Aquaculture Loan Board has served the province and the fishing industry by providing long-term stable development funding.

The Loan Board operates under the authority of the *Fisheries and Coastal Resources Act*. This Act emphasizes the coastal community development priority of the Board's operations and fosters the growth and development of the economy in our coastal communities as it relates to the harvesting and aquaculture sectors of the fishing industry in Nova Scotia.

During the year the Fisheries and Aquaculture Loan Board focused on its mission statement which is as follows:

> *"To serve, develop and optimize the harvesting segment of the Nova Scotia fishing and aquaculture industries, for the betterment of our coastal communities and the province as a whole."*

This report summarizes the activities, accomplishments and outcomes of the previous fiscal year by reflecting on the organization's 2012-2013 Business Plan. The report is organized so that readers may understand the Loan Board's accomplishments in line with our Business Plan.

CORE PRIORITY AREAS PROGRESS AND ACCOMPLISHMENTS

The priorities were identified in the 2012-2013 Statement of Mandate. Progress for achieving these goals is summarized below.

CORE BUSINESS AREA 1:

PRIORITY: Providing long-term fixed rate loans for the development of the harvesting and aquaculture sectors of the fishing industry.

WORK TOWARDS:

☐ Achieving sustainable fishery and aquaculture industries,

☐ Increased landings and sales,

☐ Development of new fishery enterprises,

☐ Maintaining and creating jobs in Nova Scotia; and

☐ Improvement of lending programs for the fishing and aquaculture industries.

Snapshot of the past year:

$35 million in developmental funding was available of which $17.5M (50%) was approved. In 2011-2012, $35M in developmental funding was available of which $24.8M (70.8%) was approved. 82 loans were approved out of 85 applications (96% approval success rate). Consistently review loan process and approval conditions to ensure services needs are met.

MEASURES:

Loan advances measure the loan activity of the Loan Board and the development of new fishery enterprises.

> ***Target:*** Increase annual advances. The amount of loans advanced in 2012-13 was $16 million a decrease of 36% from 2011-12 advances of $25 million and 6% higher than 2010-11 advances of $15 million.

Increase in the amount of the loan portfolio ensures the lending program is suited to the needs of the fishing and aquaculture industries and improves the lending programs for the fishing and aquaculture industries.

> ***Target:*** Annual increase in the loan portfolio. The loan portfolio was $109 million at March 31, 2013 unchanged from March 31, 2012, and an increase of 5% over the March 31, 2011 balance of $104 million.

CORE BUSINESS AREA 2:

PRIORITY: Maintain a vessel inspection program for all new construction, used vessel purchases, modification, and engine/ equipment loans.

WORK TOWARDS:

☐ Inspection of each new vessel under construction bi-weekly;

☐ Yearly inspections of each financed vessel; and

☐ Ensure vessels related to used boat, engine, equipment and upgrading applications are appraised.

Snapshot of the past year:

☐ New vessels were inspected bi-weekly during construction to ensure they are built to Loan Board requirements; 144 inspections were carried out.

☐ To verify the loan is secure in the value of the boat, 69 inspections for used vessel purchases, engine/ equipment and upgrade loans.

☐ 572 maintenance inspections were completed to ensure the Loan Board security is maintained.

☐ 16 new vessel construction plans and specification were reviewed and approved by technical staff.

☐ Technical advice provided as it relates to construction of new vessels.

MEASURES:

Number of bi-weekly inspections on new vessels to inspect all new vessels under construction.

Target: 100% of new vessels under construction to be inspected biweekly.

Number of vessels inspected to ensure that all vessels financed by the Board are inspected annually.

Target: 100% of vessels to be inspected annually.

Number of bi-weekly vessel inspections to ensure that all vessels related to used boat, modification, engine, or equipment applications are appraised bi-weekly.

Target: 100% of vessels inspected biweekly.

CORE BUSINESS AREA 3:

PRIORITY: Maintain a loan collection program on a monthly basis to keep loan arrears to a minimum.

WORK TOWARDS:

☐ Frequent collection activity; and

☐ Utilizing all collection tools (letters, phone calls, field visits).

Snapshot of the past year:
3.7% of the value of the loan portfolio in arrears as of March 31, 2013 compared to 3.3% in arrears as of March 31, 2012.

MEASURES:

Percentage of the value of the loan portfolio in arrears

Target: ≤ 3% arrears level

CORE BUSINESS AREA 4:

PRIORITY: Providing financial counselling and assessments for proposed projects.

WORK TOWARDS:
Harvesters successfully expand their operations.

Snapshot of the past year:
Partnered with industry, other lenders and other government departments to improve financial information and develop competitive lending packages for our clients.

☐ Assessed the profitability of financing vessels engaging in the harvesting of non-traditional species.

SUCCESS MEASURES:

Percentage of annual write-offs

Target: ≤0.25% of loan portfolio. There were no write-offs in 2012-13, or 2011-12.

FINANCIAL RESULTS FOR THE YEAR ENDED MARCH 31, 2013

	Budget ($ Millions)	Actual ($ Millions)
Capital Advances*	35.0	17.5
Repayments	16.5	17.3
Net Advances	18.5	0.2

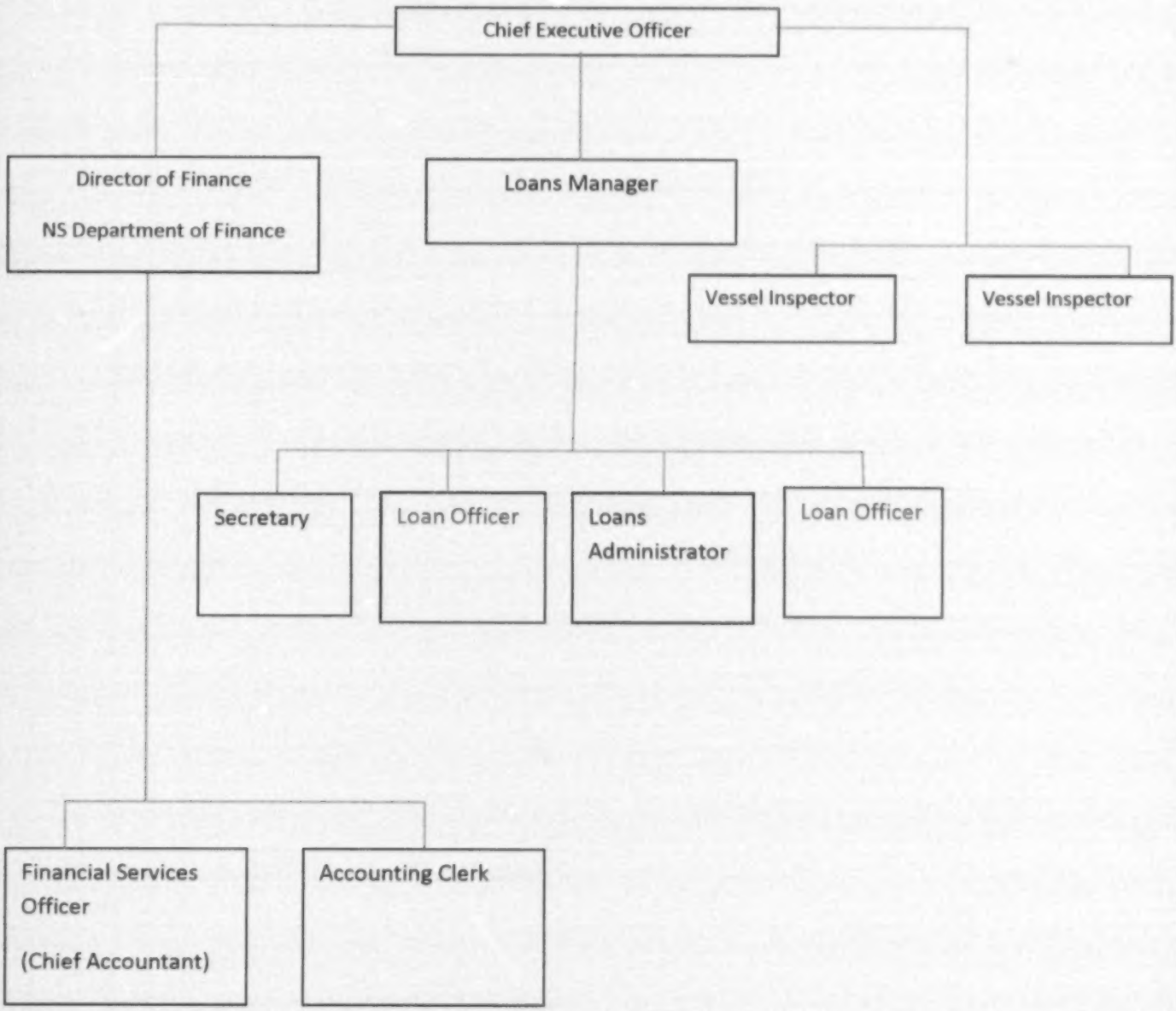
*Actual advances do not include commitments unadvanced. In 2012-2013, that amount totaled $3.9 million.

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2013
($ Thousands)

	Budget	Actual*
Revenues		
Interest	8,700	7,304
Fees	150	131
	8,850	7,435
Expenses		
Interest Expense	5,100	4,076
Salaries and Benefits	636	572
Board Honoraria	8	7
Travel	53	69
Office Expense	17	21
Professional Services	-	60
Bad Debt Expense	78	2,078
	5,892	6,883
Annual Surplus	2,958	522
Government Contributions	(2,958)	(522)
Accumulated Surplus	-	-

APPENDIX 1 LOAN BOARD ORGANIZATION CHART

Nova Scotia Fisheries and Aquaculture Loan Board Organizational Structure



APPENDIX 2 STATISTICAL INFORMATION

	Year Ending March 31, 2013	Year Ending March 31, 2012	Year Ending March 31, 2011
Lending Budget	35.0M	35.0M	40.0M
Loans Advanced	15.9M	21.0M	14.7M
Principal Payments	17.3M	17.8M	14.8M
Interest Payments	7.3M	7.0M	6.6M
Loans Receivable	109M	109M	104M
Doubtful Accounts	2.5M	0.4M	0.4M
Interest Expense	4.1M	4.7M	3.9M
Write-offs	Nil	Nil	17,684
Fees Collected	202,000	224,334	202,000
Net Income	0.5M	1.6M	1.9M